

## Message Text

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ACTION OPIC-06

INFO OCT-01 EA-07 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 XMB-02 LAB-04 SIL-01

PA-01 PRS-01 /080 W

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P R 120341Z AUG 75

FM AMEMBASSY BANGKOK

TO SECSTATE WASHDC PRIORITY 9465

INFO AMCONSUL HONG KONG

C O N F I D E N T I A L BANGKOK 16623

PASS OPIC AND COMMERCE

E.O. 11652: GDS

TAGS: ECON, EINV, TH

SUBJ: OPIC'S POLICY ON INVESTMENT IN THAILAND

REF: A. STATE 185673

B. BANGKOK 10930

C. BANGKOK 15713

D. BANGKOK 12490

SUMMARY: EMBASSY REQUESTS RECONSIDERATION OF OPIC DECISION TO ARBITRARILY LIMIT OPIC INSURANCE IN THAILAND. NO RATIONALE FOR DECISION WAS CONTAINED IN TELEGRAM INFORMING US OF THIS ACTION. EMBASSY BELIEVES DECISION NOT WARRANTED BY ECONOMIC OR POLITICAL SITUATION IN THAILAND. COMPANIES INVOLVED HAVE MADE CAREFUL STUDY OF PROFITABILITY AND SECURITY OF INVESTING HERE. DECISION COULD MAKE DIFFICULTIES HERE FOR THE AMERICAN BUSINESS COMMUNITY AND FOR GENERAL U.S. INTERESTS IN THAILAND. WE WOULD WELCOME THE VISIT OF SENIOR OPIC OFFICIAL TO DISCUSS MATTER. END SUMMARY.

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1. DECISION TO ARBITRARILY LIMIT OPIC INSURANCE IN

THAILAND COULD HAVE SOME FAR-REACHING REPERCUSSIONS, NONE OF THEM SERVING INTERESTS OF U.S. IN THAILAND NOR OF AMERICAN COMPANIES OPERATING HERE. SINCE TELEGRAM INFORMING US OF DECISION (REFTEL A) ONLY MENTIONS "CONCERN REGARDING INCREASED INSURANCE EXPOSURE," WE ARE IN THE DARK AS TO THE REASONS FOR IT OR TO HOW MUCH STUDY WENT INTO MAKING IT.

2. WE AGREE THAT THE EVENTS IN INDO-CHINA THIS YEAR DO JUSTIFY A RE-EVALUATION OF RISKS IN THAILAND. IN REFTEL B, WRITTEN SIX WEEKS AFTER SAIGON'S FALL, WE MADE SUCH AN EVALUATION AND DEALT WITH THE BUSINESS CLIMATE AS WE SAW IT AT THAT TIME. IN THAT TELEGRAM WE SAID THAT CAUTION SHOULD BE EXERCISED FOR A FEW MONTHS ON MAJOR NEW INVESTMENTS. THE KUKRIT GOVERNMENT HAD BEEN IN OFFICE LESS THAN THREE MONTHS AT THE TIME OF THAT ASSESSMENT. TWO ADDITIONAL MONTHS HAVE PASSED SINCE THEN. THIS IS TOO SHORT A PERIOD OF TIME FOR CATEGORICAL JUDGMENTS ABOUT THE FUTURE, BUT THIS TIME HAS GIVEN INCREASED GROUNDS FOR CONFIDENCE ABOUT THAILAND (REFTEL D). DESPITE THE FACT THAT THE COUNTRY IS RUN BY A COALITION CABINET, THE PRIME MINISTER'S PERFORMANCE HAS BEEN STRONG. AMONG THE PLUSES RECORDED DURING THIS TIME WERE HIS VISITS TO CHINA AND THE ASEAN NATIONS, THE ADROIT WAY IN WHICH THE PASSAGE OF THE BUDGET HAS SO FAR BEEN GUIDED, AND THE SUCCESSFUL IMPLEMENTATION OF THE TAMBON COUNCIL GRANTS.

3. THE COMPANIES MENTIONED IN REFTEL A NOW SEEKING OPIC INSURANCE FOR PLANNED INVESTMENTS HERE HAVE EXERCISED DUE CAUTION AND HAVE MADE COMPREHENSIVE STUDIES OF THE PROJECTED PROFITABILITY AND SECURITY OF THEIR INVESTMENTS HERE. IN MAKING THEIR DECISIONS, ONE OF THE FACTORS WHICH THEY RELIED UPON WAS OPIC INSURANCE. WHEN OFFICERS OF THIS MISSION DISCUSSED THEIR PROPOSALS WITH THEM, WE ASSUMED THAT SUCH COVERAGE WOULD BE FORTHCOMING. IN A REAL SENSE, THE DECISION TO LIMIT OPIC INSURANCE IN THAILAND CHANGES THE RULES IN THE MIDDLE OF THE GAME AND PULLS THE RUG OUT FROM UNDER BOTH THE EMBASSY AND THE COMPANIES INVOLVED. MOST WILL PROBABLY HAVE TO RE-FIGURE THEIR PROJECTS AND TO GO BACK TO THEIR BOARDS OF DIRECTORS

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FOR APPROVAL - WITH THE MESSAGE THAT OPIC IS AFRAID THAT THAILAND IS THE NEXT DOMINO. THIS VOTE OF NO-CONFIDENCE ON THE PART OF OPIC WILL CERTAINLY BE A BLOW TO THE THAI GOVERNMENT AND WILL GIVE ANOTHER ARGUMENT TO THOSE WHO DO NOT BELIEVE THE U.S. CAN BE RELIED ON IN SOUTHEAST ASIA. IT WILL PRODUCE ADVERSE REVERBERATIONS FOR THE AMERICAN BUSINESS COMMUNITY HERE AND FOR U.S. INTERESTS IN GENERAL.

4. ON THE SPECIFIC ISSUE OF THAI ZINC, THE AMOUNT OF INSURANCE THAT WILL BE APPLIED FOR WILL BE CONSIDERABLY LESS THAN THE 90 MILLION DOLLAR COST OF THE PROJECT, SINCE THAI INTERESTS WILL BE PARTICIPATING. NEW JERSEY ZINC WILL PROBABLY SEEK COVERAGE OF 10 TO 14 MILLION DOLLARS. IF ANOTHER AMERICAN COMPANY JOINS THE GROUP, THE APPLICATION WOULD BE FOR HIGHER COVERAGE. EMBASSY UNDERSTANDS THAT S. WOODROW SPONAUGLE, THE MANAGING DIRECTOR OF THAI ZINC, WHOM WE HAVE INFORMED OF OPIC DECISION, FLEW TO THE U.S. ON AUGUST 9.

5. THE EMBASSY TOOK THE POSITION AS FAR BACK AS REFTEL B THAT THERE WAS NO BASIS FOR CURTAILING OPIC INSURANCE OR SUPPLIER CREDITS. WE BELIEVE THAT RECONSIDERATION OF THE DECISION TO CURTAIL OPIC COVERAGE IN THAILAND IS A MATTER OF CONSIDERABLE IMPORTANCE AND URGENCY. WE REQUEST: (A) THAT THE ARBITRARY LIMITATION OF 7 MILLION DOLLARS IN NEW INSURANCE BE LIFTED AND THAT THE APPLICATIONS BEFORE OPIC FOR 14 MILLION DOLLARS COVERAGE BE CONSIDERED ON THEIR MERITS; (B) THAT FAVORABLE CONSIDERATION BE GIVEN TO APPLICATIONS FOR INSURANCE FOR INVESTMENT IN THE THAI ZINC REFINERY PROJECT.

6. EMBASSY WOULD WELCOME THE VISIT OF A SENIOR OPIC OFFICIAL TO DISCUSS THE MATTER WITH US AND THE BUSINESS COMMUNITY AND SEE FOR HIMSELF WHAT THE SITUATION IN THAILAND IS.  
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